

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Brookfield Township	County Eaton
Fiscal Year End March 31, 2007	Opinion Date September 28, 2007	Date Audit Report Submitted to State October 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

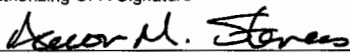
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input type="checkbox"/>	To be forwarded	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron Stevens	License Number 1101024055	

**Township of Brookfield  
Eaton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2007**

Township of Brookfield

Eaton County, Michigan

March 31, 2007

BOARD OF TRUSTEES

Nolan B. Spotts	Supervisor
Sharon Roiter	Clerk
Florence Powers	Treasurer
Russ A. Nelson	Trustee
Jim Orr	Trustee

Township of Brookfield

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Principals

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Township of Brookfield  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, on our consideration of the Township of Brookfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Brookfield's basic financial statements. The combining fund financial statements listed in the Table of Contents under other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Brookfield. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 28, 2007

## **BASIC FINANCIAL STATEMENTS**

Township of Brookfield  
STATEMENT OF NET ASSETS  
March 31, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 114,234	\$ 146,706	\$ 260,940
Taxes receivable	2,007	-	2,007
Special assessments receivable	-	33,293	33,293
	<u>116,241</u>	<u>179,999</u>	<u>296,240</u>
Noncurrent assets			
Cash - restricted	816	-	816
Capital assets not being depreciated	-	2,964,284	2,964,284
Capital assets, net of accumulated depreciation	<u>9,660</u>	<u>-</u>	<u>9,660</u>
Total noncurrent assets	<u>10,476</u>	<u>2,964,284</u>	<u>2,974,760</u>
<b>TOTAL ASSETS</b>	<u>126,717</u>	<u>3,144,283</u>	<u>3,271,000</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,158	5,150	6,308
Accrued interest payable	-	7,949	7,949
Current portion of long-term debt	<u>-</u>	<u>8,552</u>	<u>8,552</u>
Total current liabilities	<u>1,158</u>	<u>21,651</u>	<u>22,809</u>
Noncurrent liabilities			
Long-term debt	<u>-</u>	<u>2,637,661</u>	<u>2,637,661</u>
<b>TOTAL LIABILITIES</b>	<u>1,158</u>	<u>2,659,312</u>	<u>2,660,470</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,660	318,071	327,731
Restricted for cemetery maintenance	816	-	816
Unrestricted	<u>115,083</u>	<u>166,900</u>	<u>281,983</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 125,559</u>	<u>\$ 484,971</u>	<u>\$ 610,530</u>

See accompanying notes to financial statements.



Township of Brookfield  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 78,749	\$ 17,742	\$ -	\$ 11,592	\$ (49,415)	\$ -	\$ (49,415)
Public safety	33,268	500	-	-	(32,768)	-	(32,768)
Public works	41,858	-	3,579	-	(38,279)	-	(38,279)
Health and welfare	1,731	-	-	-	(1,731)	-	(1,731)
Total governmental activities	155,606	18,242	3,579	11,592	(122,193)	-0-	(122,193)
Business-type activities							
Narrow Lake sewer	49,433	9,675	-	262,698	-	222,940	222,940
Total	<u>\$ 205,039</u>	<u>\$ 27,917</u>	<u>\$ 3,579</u>	<u>\$ 274,290</u>	(122,193)	222,940	100,747
General revenues							
Property taxes					33,258	-	33,258
State shared revenue					97,502	-	97,502
Investment earnings					3,076	9,378	12,454
Miscellaneous					5,748	1,917	7,665
Transfers					75,000	(75,000)	-0-
Total general revenues and transfers					214,584	(63,705)	150,879
Change in net assets					92,391	159,235	251,626
Net assets, beginning of the year					33,168	325,736	358,904
Net assets, end of the year					<u>\$ 125,559</u>	<u>\$ 484,971</u>	<u>\$ 610,530</u>

See accompanying notes to financial statements.

Township of Brookfield

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 114,234	\$ -	\$ 114,234
Cash - restricted	-	816	816
Taxes receivable	2,007	-	2,007
<b>TOTAL ASSETS</b>	<u>\$ 116,241</u>	<u>\$ 816</u>	<u>\$ 117,057</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,158	\$ -	\$ 1,158
<b>FUND BALANCES</b>			
Reserved for			
Cemetery maintenance	-	816	816
Unreserved			
Undesignated, reported in			
General fund	115,083	-	115,083
<b>TOTAL FUND BALANCES</b>	<u>115,083</u>	<u>816</u>	<u>115,899</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 116,241</u>	<u>\$ 816</u>	<u>\$ 117,057</u>

See accompanying notes to financial statements.

Township of Brookfield

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2007

**Total fund balance - governmental funds** \$ 115,899

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 11,592
Accumulated depreciation is	<u>(1,932)</u>

Capital assets, net	<u>9,660</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 125,559</u></u>
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See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 50,890	\$ -	\$ 50,890
Intergovernmental	101,081	-	101,081
Charges for services	610	-	610
Interest	3,073	3	3,076
Other	5,748	-	5,748
TOTAL REVENUES	161,402	3	161,405
EXPENDITURES			
Current			
General government	66,843	-	66,843
Public safety	33,268	-	33,268
Public works	41,858	-	41,858
Health and welfare	1,731	-	1,731
Other	7,215	-	7,215
Capital outlay	2,759	-	2,759
TOTAL EXPENDITURES	153,674	-0-	153,674
EXCESS OF REVENUES OVER EXPENDITURES	7,728	3	7,731
OTHER FINANCING SOURCES			
Transfers in	75,000	-	75,000
NET CHANGE IN FUND BALANCES	82,728	3	82,731
Fund balances, beginning of year	32,355	813	33,168
Fund balances, end of year	\$ 115,083	\$ 816	\$ 115,899

See accompanying notes to financial statements.

Township of Brookfield

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

<b>Net change in fund balances - governmental funds</b>	<b>\$ 82,731</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(1,932)
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Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contributions	<u>11,592</u>
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<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 92,391</u></u></b>
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See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF NET ASSETS - PROPRIETARY FUND

March 31, 2007

	Business-type Activities <u>Narrow Lake Sewer</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 146,706
Special assessments receivable	<u>33,293</u>
Total current assets	179,999
Noncurrent assets	
Capital assets not being depreciated	<u>2,964,284</u>
TOTAL ASSETS	3,144,283
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	5,150
Accrued interest payable	7,949
Current portion of long-term debt	<u>8,552</u>
Total current liabilities	21,651
Noncurrent liabilities	
Long-term debt	<u>2,637,661</u>
TOTAL LIABILITIES	<u>2,659,312</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	318,071
Unrestricted	<u>166,900</u>
TOTAL NET ASSETS	<u>\$ 484,971</u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND

Year Ended March 31, 2007

	Business-type Activities
	<u>Narrow Lake Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 9,675
Other	1,917
	<u>11,592</u>
OPERATING EXPENSES	
Utilities	19,792
Service charge	294
Miscellaneous	1,416
	<u>21,502</u>
TOTAL OPERATING EXPENSES	
	<u>(9,910)</u>
NONOPERATING REVENUES (EXPENSES)	
Special assessments	262,698
Interest revenue	9,378
Interest expense	(27,931)
Transfers out	(75,000)
	<u>169,145</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	
	<u>159,235</u>
CHANGE IN NET ASSETS	
	<u>325,736</u>
Net assets, beginning of year	
	<u>\$ 484,971</u>
Net assets, end of year	
	<u><u>\$ 484,971</u></u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended March 31, 2007

	Business-type Activities Narrow Lake Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 11,592
Cash paid to suppliers	(16,352)
NET CASH (USED) BY OPERATING ACTIVITIES	(4,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond and loan proceeds	2,766,213
Payments on borrowings	(120,000)
Capital purchases	(2,639,055)
Interest expense	(19,982)
Special assessments	229,405
Transfers out	(75,000)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	141,581
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	9,378
NET INCREASE IN CASH	146,199
Cash, beginning of year	507
Cash, end of year	\$ 146,706
Reconciliation of operating loss to net cash (used) by operating activities	
Operating loss	\$ (9,910)
Adjustments to reconcile operating loss to net cash used by operating activities	
Increase in accounts payable	5,150
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (4,760)

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Brookfield Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Brookfield. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Brookfield Township contain all the funds controlled by the Township Board.

2. Related Organization

Rural Fire Association - The Rural Fire Association was established as a legally separate nonprofit organization. Members pay dues yearly and have one member and one vote on the Board of Directors. Currently, the members are the Townships of Brookfield, Carmel, Chester, Eaton, and Walton. The Association has a contract with the City of Charlotte for expenses connected with fire department services in the areas serviced. The Township of Brookfield does not hold title to any of the Association's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Association. The Township of Brookfield paid \$26,548 to the Association in the year ended March 31, 2007.

3. Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements).

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Narrow Lake Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a functional level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted and amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

7. Cash and Restricted Cash

Cash consists of various checking and savings accounts. Restricted cash relates to amounts held for cemetery maintenance, as restricted for use by the donor.

8. Property Tax

Brookfield Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1 of the year following the levy. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for roads and bridges. For the year ended March 31, 2007, the Township levied 0.8696 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$38,685,284.

Township of Brookfield  
NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Capital Assets

Capital assets consist of land, equipment, and a sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the business-type activities column. Capital assets are those with an estimated useful life of more than one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation for the equipment is computed using the straight-line method over 5 years.

10. Federal Programs

Federal Programs are accounted for in the Narrow Lake Sewer Fund. The Township has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

11. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE B: CASH - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, the carrying amount of the Township's deposits was \$261,756 and the bank balance was \$274,495.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2007, the Township accounts were insured by the FDIC for \$102,063. The amount of \$172,432 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007
<b>Governmental activities</b>				
Capital assets being depreciated				
Equipment	\$ -	\$ 11,592	\$ -	\$ 11,592
Less accumulated depreciation for:				
Equipment	-	( 1,932 )	-	( 1,932 )
Net capital assets being depreciated	\$ -0-	\$ 9,660	\$ -0-	\$ 9,660

Township of Brookfield  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007

**NOTE C: CAPITAL ASSETS - CONTINUED**

<b>Business-type activities</b>	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 180,556	\$ -	\$ 180,556
Construction in progress	<u>325,229</u>	<u>2,458,499</u>	<u>-</u>	<u>2,783,728</u>
	<u>\$ 325,229</u>	<u>\$ 2,639,055</u>	<u>\$ -0-</u>	<u>\$ 2,964,284</u>

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2007.

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2007</u>	<u>Amounts Due Within One Year</u>
PRIMARY GOVERNMENT					
Business-type Activities					
Land Purchase Loan	\$ -	\$ 180,556	\$ -	\$ 180,556	\$ 8,552
Act 185 SDS Bonds	<u>-</u>	<u>2,585,657</u>	<u>120,000</u>	<u>2,465,657</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ -0-</u>	<u>\$ 2,766,213</u>	<u>\$ 120,000</u>	<u>\$ 2,646,213</u>	<u>\$ 8,552</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Land Purchase Loan

\$180,556 Loan dated May 2, 2006, for the purchase of land for use in the Narrow Lake Sewer construction project, due in annual installments ranging from \$8,552 to \$15,570 through May 1, 2021, with interest of 4.750 percent, payable annually.

\$ 180,556

Act 185 SDS Bonds

\$2,860,000 Sewage Disposal System Bonds (only \$2,585,657 drawn to date) due in annual installments ranging from \$120,000 to \$165,000 through April 1, 2026, with interest of 1.625 percent, payable semi-annually.

2,465,657

\$ 2,646,213

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE D: LONG-TERM DEBT - CONTINUED**

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following loan is as follows:

**Primary Government**

Year Ending March 31,	<u>Land Purchase Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 8,552	\$ 8,672
2009	8,918	8,306
2010	9,370	7,854
2011	9,821	7,403
2012	10,294	6,930
2013-2017	59,368	26,751
2018-2021	<u>74,233</u>	<u>10,982</u>
	<u>\$ 180,556</u>	<u>\$ 76,898</u>

The \$2,465,657 related to the Sewage Disposal (SDS) bonds is not included in the above schedule because the bonds have not been fully drawn down and as a result the maturity schedule was not finalized as of March 31, 2007.

**NOTE E: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of March 31, 2007:

Fund Balance

PRIMARY GOVERNMENT

General Fund

Reserved for cemetery maintenance \$ 816

**NOTE F: DEFERRED COMPENSATION PLAN**

The Township of Brookfield offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Township of Brookfield) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Brookfield's financial statements.

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

**NOTE G: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township has purchased commercial insurance to minimize the risk of loss due to workers' compensation claims.

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Legislative	\$ 4,565	\$ 8,990	\$ 4,425
Board of Review	470	540	70
Township Hall	2,275	2,587	312
Cemetery	7,250	7,995	745
Public safety			
Fire protection	27,500	33,268	5,768
Capital outlay			
Equipment	2,750	2,759	9

**NOTE I: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of March 31, 2007:

PRIMARY GOVERNMENT  
Governmental activities  
Restricted for  
Cemetery maintenance

\$ 816



## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 35,000	\$ 35,000	\$ 33,258	\$ (1,742)
Tax administration fees	15,000	15,000	17,632	2,632
Total taxes	50,000	50,000	50,890	890
Intergovernmental				
State shared revenue	97,000	97,000	97,502	502
Metro act	-	-	3,579	3,579
Total intergovernmental	97,000	97,000	101,081	4,081
Charges for services				
Land division	500	500	110	(390)
Fire runs	1,500	1,500	500	(1,000)
Cemetery lot sales	1,000	1,000	-	(1,000)
Total charges for services	3,000	3,000	610	(2,390)
Interest	-	-	3,073	3,073
Other revenue				
Miscellaneous	6,500	6,500	5,748	(752)
TOTAL REVENUES	156,500	156,500	161,402	4,902
EXPENDITURES				
General government				
Legislative	4,565	4,565	8,990	(4,425)
Executive	8,426	8,426	8,401	25
Elections	5,500	5,500	1,794	3,706
Assessor	14,950	14,950	9,172	5,778
Clerk	13,725	13,725	13,620	105
Board of review	470	470	540	(70)
Treasurer	14,739	14,739	13,744	995
Township hall	2,275	2,275	2,587	(312)
Cemetery	7,250	7,250	7,995	(745)
Attorney	500	500	-	500
Total general government	72,400	72,400	66,843	5,557
Public safety				
Fire protection	27,500	27,500	33,268	(5,768)

Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Drains at large	\$ 35,000	\$ 35,000	\$ 8,622	\$ 26,378
Road maintenance	33,750	33,750	33,236	514
Total public works	68,750	68,750	41,858	26,892
Health and welfare				
Ambulance contracted services	2,000	2,000	1,731	269
Other				
Insurance	9,000	9,000	7,215	1,785
Capital outlay				
Equipment	2,750	2,750	2,759	(9)
TOTAL EXPENDITURES	182,400	182,400	153,674	28,726
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,900)	(25,900)	7,728	33,628
OTHER FINANCING SOURCES				
Transfers in	-	-	75,000	75,000
NET CHANGE IN FUND BALANCE	(25,900)	(25,900)	82,728	108,628
Fund balance, beginning of year	32,355	32,355	32,355	-0-
Fund balance, end of year	\$ 6,455	\$ 6,455	\$ 115,083	\$ 108,628

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Brookfield  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
March 31, 2007

	Permanent Funds		Total Nonmajor Governmental Funds
	Nellie Miller	Lela Troutner	
ASSETS			
Cash - restricted	\$ 292	\$ 524	\$ 816
FUND BALANCES			
Reserved for Cemetery maintenance	\$ 292	\$ 524	\$ 816

Township of Brookfield

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	Permanent Funds		Total Nonmajor Governmental Funds
	Nellie Miller	Lela Troutner	
REVENUES			
Interest	\$ 1	\$ 2	\$ 3
Fund balances, beginning of year	291	522	813
Fund balances, end of year	<u>\$ 292</u>	<u>\$ 524</u>	<u>\$ 816</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Township of Brookfield  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining information of the Township of Brookfield as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Brookfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2006-1 through 2006-4 and 2007-1 through 2007-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-3, 2007-1, 2007-2, and 2007-3 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-1, 2006-4, 2006-5 and 2006-6.

This report is intended solely for the information and use of management and Board of Trustees of the Township of Brookfield, others within the Township, federal awarding agencies and pass through entities, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY P.C.  
Certified Public Accountants

September 28, 2007



Township of Brookfield  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2007

**FINDINGS/NONCOMPLIANCE**

**Findings Related to Internal Control Over the Financial Statements**

**2006-1 Unfavorable Budget Variances and Inadequate Review of General Ledger Reporting**

Condition: As explained in Note H to the financial statements, various activities within the General Fund of the Township exceeded the amounts appropriated. Additionally, during our consideration of the Township's internal controls, we noted that although the Township appropriately adopted an annual budget for the General Fund, it does not appear as though the budgets are periodically compared with actual results, such as through a monthly report that would be approved by the Board and documented in the minutes of the Board meetings. This issue was noted and reported in our audit comments for the prior year.

Criteria: The Uniform Budgeting and Accounting Act requires the Township Board to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The Township is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend that the Township management provide the Board periodic financial reports. We also recommend that the Board review such financial reports preferably on a monthly basis, but at least on a quarterly basis. The financial reports should be generated directly from the Township's general ledger and include fiscal year-to-date revenues and expenditures compared to their budgeted amounts. Management should recommend and the Township Board should provide for budget amendments prior to exceeding amounts appropriated.

Corrective Action Response: We will monitor the budget more closely in the future.

**2006-2 Lack of Capital Asset Policy**

Condition: During the course of our audit, it was noted the Township did not have a formal written capitalization policy in place at year-end. This policy would set forth, among other things, a dollar threshold for items purchased by the Township, which would be considered material, long-lived assets that should be capitalized and depreciated. This issue was noted and reported in our audit comments for the prior year.

Criteria: The Township must be able to record and report financial data reliably to assure sound internal control over the financial reporting.

Effect: The Township has no formal process for determining which assets should be capitalized, and thus might fail to capitalize and report a material asset on the financial statements.

Recommendation: We recommend the Township develop a written capitalization policy and formally adopt the policy through Board action.

Corrective Action Response: This policy is being implemented.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended March 31, 2007

Findings Related to Internal Control Over the Financial Statements - continued

**2006-3 Inadequate Segregation of Duties**

Condition: During our consideration of the Township's internal controls and our assessment of fraud risk, we noted that the Township does not have an adequate overall internal control design. Currently, the same individual accepts cash receipts, records cash receipts, prepares bank deposits, makes bank deposits, and prepares the bank reconciliation. This issue was noted and reported in our audit comments for the prior year.

Criteria: The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

Effect: While this is a common occurrence in small organizations due to the limited number of employees, the Township Board should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

Recommendation: We recommend that the Township review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Township Board provide a greater review and supervision of employee functions and procedures.

Corrective Action Response: Due to our small staff, we don't foresee any possible changes. However, a trustee on the Board has offered to provide more oversight related to bank reconciliations.

**2006-4 Lack of Double Entry Accounting System**

Condition: During our audit procedures, we noted that the Township does not employ a true double-entry accounting system. Various receipt, disbursement, and checkbook-type ledgers are maintained, but there are no records of balance sheet accounts that can be related to the existing ledgers.

Criteria: The Uniform Accounting Procedures Manual issued by the Department of Treasury details requirements related to the basic financial records, documents, and procedures that are applicable to all counties and local units of government in Michigan. That manual states that a full general ledger must be maintained that documents the history of all assets, liabilities, fund balances, revenues, and expenditures. This issue was noted and reported in our audit comments for the prior year.

Effect: The Township is not fully complying with requirements set forth by the Michigan Department of Treasury.

Recommendation: We recommend the Township implement a double-entry accounting system, whether manual or computerized, that will help to maintain all of the general ledger accounts required by the Michigan Department of Treasury.

Corrective Action Response: This recommendation will be adopted in the future. We are currently researching various software programs to use as computerized general ledger systems.

**2007-1 Material Journal Entries**

Condition: During the course of our audit, material journal entries for the proper recognition of revenues and expenditures were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Township of Brookfield  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2007

Findings Related to Internal Control Over the Financial Statements - continued

**2007-1 Material Journal Entries - continued**

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining and monitoring internal controls, and for the fair presentation in the financial statements including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls over financial reporting.

Effect: The financial statements required material journal entries by the auditors in order to ensure fair presentation in accordance with U.S. generally accepted accounting principles.

Recommendation: We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Once we have a computerized general ledger system in place, we will make journal entries so that audit adjustments are not necessary.

**2007-2 Financial Statements Prepared in Accordance with Generally Accepted Accounting Principles**

Condition: During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria: The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls.

Effect: The Township is unable to take responsibility of the preparation of its financial statements and notes in accordance with accounting principles generally accepted in the United States.

Recommendation: We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financial statements and so that they may take responsibility for the statements and the appropriate disclosures.

Corrective Action Response: Due to our small staff, we do not foresee any changes in this area.

**2007-3 Lack of Documentation of Employee Compensation**

Condition: During our testing of controls over payroll disbursements, we noted that authorized employee pay rates are not formally documented.

Criteria: The Township must be able to authorize and report financial data reliably to assure sound internal control over the financial reporting.

Effect: Without formal documentation of employee compensation the Township could potentially pay employees at an unauthorized rate.

Recommendation: We recommend the Township formally document approved employee wages and wage increases.

Township of Brookfield  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2007

Findings Related to Internal Control Over the Financial Statements - continued

**2007-3 Lack of Documentation of Employee Compensation - continued**

Corrective Action Response: Currently, we pay the employees what is in the budget, however, we will formally document authorized pay rates in the board minutes.

Findings Related to Compliance and Other Matters

**2006-5 Lack of Investment Policy**

Condition: During the course of our audit, and through discussions with management, it was noted that the Township's current investment policy does not comply with GASB Statement No. 40. This issue was noted and reported in our audit comments for the prior year.

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 40 requires governmental entities to inform financial statement users about deposit and investment risks that could affect the entity's ability to provide services and meet its obligations as they become due. This statement was effective for the year ended March 31, 2006 for the Township.

Effect: The Township's financial statements may not be informative to users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

Recommendation: We recommend the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. In the absence of a policy that addresses deposit and investment risks, the notes to the financial statements are required by generally accepted accounting principles to include a disclosure that such policies do not exist.

Corrective Action Response: We will amend our investment policy to address the risk areas specified in GASB Statement 40.

**2006-6 Lack of Various Operational Policies and Procedures**

Condition: Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that the Township formally adopt, and implement written procedures and policies in the following areas: fraud risk management program, conflict of interest policy, and disaster recovery plan. This issue was noted and reported in our audit comments for the prior year.

Criteria: Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible.

Effect: Township operations may not be as efficient and effective as they could be.

Township of Brookfield  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2007

Findings Related to Compliance and Other Matters - continued

**2006-6 Lack of Various Operational Policies and Procedures - continued**

Recommendation: We recommend the Township develop, formally adopt, and implement written procedures and policies in the following areas:

Fraud risk management program - We recommend that the Township develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve active searching for fraudulent transactions through the use of techniques such as data mining, but should also inform management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Conflict of interest policy - A conflict of interest policy will clarify the Township's position on ethical behavior and communicate that position to employees and Board members. We recommend the Township develop and implement a policy addressing conflict of interest and include it in the policy manual and periodically require a declaration of compliance from employees and Board members. The Township should also obtain conflict of interest disclosure statements from its employees and Board members.

Disaster recovery plan - We recommend the Township adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.

Corrective Action Response: This recommendation will be adopted.